

debt to \$4,000,000,000, and the suspension of payments in specie. The Bank of England by prudent management kept its notes for several years at par with coin and the depreciation was at first so gradual as hardly to be noticed. One of the elements of confusion in the discussion of the effect of the restriction of specie payments was the fact that bank-notes became the sole medium of ordinary transactions. The issue of £* notes by the bank drove the gold from circulation even before the depreciation of the paper and made metal only a subsidiary money. If an effort had been made to keep the circulation saturated with coin by continuing the prohibition upon notes below £5, the depreciation of the paper would have been quickly felt by the disappearance of gold and accurately measured by the premium upon gold. The fact that the paper was maintained at a substantial parity with gold for nearly ten years while gold disappeared from circulation, misled those who did not look to the simple and indisputable facts regarding the foreign exchanges which were stated in the celebrated Bullion Report of 1810. Silver had been rapidly disappearing from circulation for some years, because the English mint ratio gave it a less value in relation to gold than the market price. The country bankers were authorized by the restriction laws to redeem their notes in Bank of England notes in exactly the same manner as they had formerly done in specie, so that the expansion and contraction of the country note issues was in a measure placed in the hands of the central bank as well as the control of its own circulation.

Bullion rapidly accumulated in the bank after the suspension of specie payments and the bank announced their willingness on January 3, 1799, to redeem sums under £\$ and to pay in full after February 1st, notes for £1 and £2, dated prior to July 1, 1798.¹ The bank then held £7,000,000 in coin and bullion and had increased its note issues to £16,000,000. The government were not willing to take the risk of resumption and continued the restriction even after the peace of Amiens,

¹ Gilbert I., 49.